

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2280

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Crisis in China

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has made an assessment of the recent crisis in China and its possible impact on the Indian economy;
- (b) if so, the details thereof and the sectors/areas of the economy likely to be affected; and
- (c) (c) the steps taken by the Government to protect and boost the Indian economy and to maintain the credibility of Foreign Institutional Investors (FIIs)?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) & (b): The impact of global developments, including developments in China, can be assessed through trade, commodity prices and financial channels. The slowdown in China has contributed to the sharp decline in the global prices of commodities like steel, other metals, crude oil, etc., and India, being the major importer of oil and other minerals, has benefited from softer oil and commodity prices. While Indian exports have slowed, imports have also slowed considerably on account of global commodity prices declining significantly. In the context of the slowdown and rebalancing in China, the World Economic Outlook of the International Monetary Fund (April 2016) indicated that economic activity in some Asian advanced economies closely integrated with China weakened sharply during the first half of 2015, owing in part to steep decline in exports. However, as per the advance estimates of the Central Statistics Office, India's growth rate is estimated to have picked up from 7.2 per cent in 2014-15 to 7.6 per cent in 2015-16.

(c): The Government of India has taken various steps to boost the growth of the economy which, inter alia, include; administrative and regulatory measures to accelerate growth in manufacturing sector; initiatives for industrial corridor development; Make in India initiative along with the attendant facilitatory measures intended to create a more conducive environment for investment; and, Skill India initiative. Start-up India initiative has been launched to boost entrepreneurship and creation of jobs. Micro Units Development and Refinance Agency Ltd and "Stand Up India" schemes have also been launched to promote entrepreneurship, the latter focussing on SC/ST and women entrepreneurs. The Budget 2016-17 continued the Government's growth-promoting agenda with measures aimed at: improving agricultural growth and infrastructure; time-bound plans for rural electrification and connectivity; boost to manufacturing with rationalization of customs and excise duties; liberalized FDI policy in various sectors; and improved ease of doing business for start-ups. Improved growth and macroeconomic stability is likely to improve the confidence of Foreign Institutional Investors. Government has also taken various steps to protect the domestic economy that, inter alia, include: raising basic customs duty on specified items; and, measures to streamline and increase availability of raw materials like coal.

The Security and Exchange Board of India (SEBI) maintains constant vigil on the market with measures including: continuous monitoring and surveillance, various limits on positions, margin requirements, etc. The systems and practices are reviewed continuously and modified to meet emerging needs. The new Foreign Portfolio Investment (FPI) Regulations that came into effect from 1st June 2014 have adopted a risk-based approach towards customer identity verification of FPIs.